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SUBJ: TRAVEL MANUAL

1. PURPOSE. This supplement provides policies for the Internal Revenue Service (IRS) Revenue Ruling 93-86 on taxability of long-term temporary duty travel (TDY). This ruling is based on changes to section 162(a)(2) of the IRS Code as amended by the Energy Policy Act of 1992 (P.L. 102-486). The Revenue Ruling and the IRS Code amendment apply to travel costs paid or incurred after December 31, 1992.
2. DISTRIBUTION. This supplement is distributed to branch level and above in FAA headquarters, regions, centers, and area offices; limited distribution to all field offices and facilities.
3. FILING INSTRUCTIONS. After filing this supplement, the transmittal should be retained.

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FA SUPPLEMENTAL PAGE

2-0103-S2. POLICY. Internal Revenue Service (IRS) Revenue Ruling 93-86 amplifying prior IRS Notice 93-29, contains guidelines for determining whether long-term temporary duty travel (TDY) assignments are "indefinite" for income tax purposes. TDY travel of employees who are (or have been) assigned to a single location with the realistic expectation that the assignment will be for more than one year is considered as indefinite travel effective with the 1993 tax year. However, the IRS and the courts will be the final arbiter of whether an assignment was temporary or not, and what the tax consequences will be. The travel reimbursements for indefinite travel are reportable as taxable income on the employees IRS Wage and Tax Statement (W-2).

a. For 1993 and 1994, income tax reporting is a responsibility of each employee. For 1995, the travel reimbursements for indefinite travel are reportable as taxable income on the employees' IRS Wage and Tax Statement (W-2), effective with the 1995 tax year.

b. How to treat a single assignment involving multiple locations. The Energy Policy Act of 1992 applies to any period of employment in a single location if such period exceeds one year; consequently, a temporary assignment to multiple locations that is not expected to and does not exceed one year does not fall under the restrictions of this Act. An employee while on temporary assignment to a location who occasionally has to spend time at a different temporary location will not be considered to have been assigned to multiple locations if the time at the different temporary location is not close to evenly split with the temporary assignment location. For example, someone from Chicago on TDY to New York who occasionally has to travel to Washington for a few days every month will not be considered by the IRS as having been assigned to multiple locations.

c. How long must a break in an assignment be before an employee can be returned to the same location without creating a tax liability. Any break in an assignment must be bona fide and not done for purposes of aiding an employee in avoiding tax liability. In fairness to employees and to the extent feasible, travel authorizing officials are to make assignments of definite duration, since even an assignment of less than a year may result in tax liability for an employee where the employee did not have a realistic expectation concerning the assignment's duration. Such information will allow the employee to anticipate and plan for possible tax consequences.

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2-0105-S2. TRAVEL AUTHORITY.

a. Travel authorizing officials have the responsibility to review the ruling and determine whether an employee's assignment meets the ruling guidelines for taxation purposes.

b. Travel authorizing officials shall:

(1) Inform these employees that their travel reimbursements are subject to taxation, and the impact on the employee's taxable income from such travel. Travel authorization officials shall inform employees that they are to annotate the submitted SF 1012, Travel Voucher, with the statement "reimbursements are subject to taxation".

(2) Insert a statement on the employee's TDY travel authorization that:

(a) "The employee performing the TDY travel authorized on this travel order is aware of his/her tax responsibilities regarding this extended long-term TDY assignment. Further,

(b) The employee is aware that this TDY assignment, with the realistic expectation of lasting one year or more, is to a single location,

(c) The employee is aware that the assignment reimbursement(s) is subject to taxation, and

(d) The employee should be advised that reimbursements will appear on his/her DOT F 2740.1, Statement of Earnings and Leave as "GRS-PCS-Taxable."

(3) Provide the names of these employees to the servicing accounting offices.

c. Servicing accounting offices shall be responsible for:

(1) Withholding appropriate Federal, Federal Insurance Contribution Act (FICA), and Medicare taxes according to taxing authority regulations from the taxable TDY voucher amounts beginning with calendar year 1995 for employees' whose TDY travel meets the IRS guidelines on long-term (indefinite) TDY assignments,

(2) Reporting the income and tax withholdings to the Payroll Office through the Permanent Change of Station (PCS) System. Each office should create records utilizing option 1, Detail File Maintenance Inquiry, and transmit this data to CUPS.

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(3) By the end of the calendar year, the cumulative file data shall be deleted so that it does not generate a Form 4782, (in lieu of the Internal Revenue Service Form 4782), Employee Moving Expense Information-Payments Made During Calendar Year (current year), or be reported on a different form. Presently, there is no requirement to report this information other than on the employee's Form W-2, Wage and Tax Statement.

d. CUPS payroll offices shall be responsible for:

(1) Incorporating the transmitted data in the employee's Form DOT F 2740.1, Statement of Earnings and Leave (SEL), which will be reflected as change of station data on the SEL until the PCS system and CUPS can be upgraded, and,

(2) Reporting the transmitted data in the employee's W-2 form.

e. Employees meeting the guidelines should, for calendar year 1993 and 1994, consult with their tax advisor for advice on tax filing and tax liability guidance.